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Item No. 15.1.8
Halifax Regional Council
August 6, 2024

TO: Mayor Savage and Members of Halifax Regional Council

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: July 22, 2024

SUBJECT: Ferry Refit and Dry Docking – Funding Request

ORIGIN

The Approved 2024/25 Operating Budget, R661-6899, and the Approved 2024/25 Capital Account Project No. CM 200007 and Capital Account Project No. CV240007.

EXECUTIVE SUMMARY

This report seeks approval from Halifax Regional Council for the reallocation of funds between Capital Project accounts to facilitate the dry docking of the Christopher Stannix ferry. The proposed work is critical, encompassing significant refurbishments such as major structural modifications, which are necessary due to the life cycle management for the vessel. Additionally, this report seeks consent to temporarily suspend the Audit and Finance Standing Committee's rules of procedure to expedite the necessary financial adjustments for the timely commencement of the maintenance project.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Suspend the rules of procedure under Schedule 2, the Audit and Finance Standing Committee Terms of Reference, of Administrative Order One, Respecting the Procedures of the Council Administrative Order.
2. Approve the reallocation of \$190,000 from Capital Account Project No. CM20007 (Ferry Overhaul and Upgrades) to Capital Account Project No. CV240007 (Mid Life Ferry Rebuild).

BACKGROUND

The Halifax Transit ferry fleet, mandated by the Canada Shipping Act, must undergo routine dry docking and refitting. The Christopher Stannix ferry is scheduled for dry docking in the 2024/25 fiscal year. This process will encompass dry docking, comprehensive inspections, necessary repairs, and routine maintenance. These measures are required by Transport Canada and are part of the standard life cycle management of the vessel to ensure its safe and efficient operation. The Ferry Overhaul and Capital Upgrades Capital Account (CM200007) is utilized for the maintenance of engines, generators, and

upgrades to vessel systems, ensuring operational efficiency for the vessels. In contrast, the Mid Life Ferry Rebuild Capital Account (CV240007) is intended to allow for the completion of a significant refurbishment phase, including major structural and propulsion system overhauls, necessary as the vessel ages. The latter includes more extensive projects aimed at maintaining the vessel’s condition throughout the service life, while the former is a cyclical process to maintain the vessel’s operational capability. Together, these accounts encompass both regular upkeep and significant refurbishments to enable the fleet’s longevity and reliability.

DISCUSSION

As part of the procurement process, a Tender notice was publicly issued on the Halifax Regional Municipality’s bids and tenders website on June 14, 2024, and closed on July 8, 2024, for a Request for Quotation (RFQ). This notice outlined the detailed specifications and prerequisites necessary for eligibility to bid on the contract. The scope of work encompassed essential tasks such as hull and structure painting, mandatory inspections, structural modification related to the VOITH removal hatches, and maintenance of auxiliary systems, and machinery as mentioned in the background section.

During the tendering process, shipyards were asked to quote on optional pieces of work, including a project to upgrade removal hatches. This work is deemed optional as it is not a statutory requirement, however, it is necessary to prepare the vessel for the major overhauls on the propulsion systems required as part of the vessel’s mid-life rebuild cycle. This supplementary work was budgeted in the 2024/2025 Capital budget, but the actual bid price(s) received was significantly higher.

An additional project being undertaken as part of this tender is for the application of a new type of underwater hull and propeller coating “XGIT Fuel” which may increase vessel efficiency, reduce hull resistance, lower fuel consumption, and thus reduce GHG emissions. This component of the project is funded by the Capital Account Project No.CZ230700, HalifACT Small Projects Bundle.

The table below provides the details for the Operational and Capital accounts involved in funding the ferry refit and dry docking.

Line item	Lump Sum Price	Total Cost (Net HST Included)
Operating Account - R661-6899	\$809,236.88	\$843,920.77
Capital Account – CV240007	\$278,721.00	\$290,666.98
Capital Account – CZ230700	\$153,017.00	\$159,575.31
Total	\$1,240,974.88	\$1,294,163.06

Table 1: Funding details

The total project cost is estimated as per the bid received from the tender process.

Time-Sensitive Nature of the Project

The current maintenance cycle requires a longer dry dock stay of 14 weeks or more due to the complexity of the tasks. Limited shipyard slots, influenced by an active hurricane season and fishing fleet operations, may affect project timelines. The lack of alternate vessels during this period means any additional mechanical issues could disrupt ferry services immediately. The work includes hull painting which is temperature-sensitive, demanding the earliest possible dry dock commencement to ensure coating quality. Immediate scheduling is crucial to minimize operational risks, uphold maintenance standards and enable service reliability. Postponing some or all of the work until a future year is not recommended, as this is the opportunity to complete the required tasks on the Christopher Stannix ferry; other vessels are planned to be dry docked in future years, as part of a cycle to maintain service.

Transfer of Funding Between Capital Projects

The Capital Account Project No. CV240007, allocated for the Mid Life Ferry Rebuild, is intended to finance ferry refits and dry docking operations. It currently holds funds amounting to \$140,000 which falls short of the project’s financial requirements. The initial funding was predicated on a preliminary estimate, but since then there has been a significant increase in prices. As such, additional funding in the amount of \$190,000 is required. To address the identified shortfall, a reallocation of \$190,000 from Capital Account Project No. CV CM200007 (Ferry Overhaul and Upgrade) to CV240007 (Mid Life Ferry Rebuild) is proposed. The required ferry overhaul work for 2024/25 has already been completed, and funds are available by postponing less critical activities related to a propulsion equipment control upgrade. Once the reallocation of the funds is approved by Council, staff will follow with an award report to the Chief Administrative Officer for RFQ HRM-2024-0381.

FINANCIAL IMPLICATIONS

The refit and dry docking will be funded by the Halifax Transit operating budget R661-6899 (Ferry Refit/Dry docking) where it has been budgeted and the supplementary items from capital accounts CV240007 Mid Life Ferry Rebuild and CZ230700 - HalifACT Small Projects Bundle.

The cumulative refit budget in the approved 2024/2025 operating budget was approved at \$850,000.00.

The additional work as follows are capital components and are estimated at \$290,000, to be funded by CV240007- Mid Life Ferry Rebuild and \$160,000 to be funded by CM2300700 – HalifACT Small Projects Bundle.

Budget Summary:

Line items	Project No: CM200007	Project No: CV240007	Project No: CZ230700
Capital Accounts	Ferry Overhaul and Capital Upgrades	Mid-Life Ferry Rebuild	HalifACT – Small Projects Bundle
Cumulative Unspent Budget	\$379,893.97	\$140,000.00	\$2,402,179.06
Less: Transfer to CV240007 (Mid Life Ferry Rebuild)	\$190,000.00		
Plus: Transfer from CM200007 (Ferry Overhaul)		\$190,000.00	
Less: Capital Component of Tender No: 2024-0381		\$290,666.98	\$159,575.31
Balance	\$189,893.97	\$39,333.02	\$2,242,603.75

Table 2: Account details

RISK CONSIDERATION

There were no significant risks identified with proceeding with the recommendations of this report.

Should Regional Council decide not to approve the recommendations, the Ferry service may face risks as outlined below:

- Regulatory non-compliance:** As this is a statutory requirement, without a dry docking the ferry will be considered non-compliant by Transport Canada and would be removed from service until it meets its regulatory compliance requirements.
- Operational disruption:** Periodic maintenance and inspection activities serve as preventative

measures and protect the ferry from unexpected catastrophic failures. Failure to comply with periodic maintenance requirements may result in the ferry being out of service for an extended period of time.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

The project work being undertaken involves the application of a new type of underwater hull and propeller coating named “XGIT Fuel.” This innovative coating is designed to decrease marine growth on the hull, which is a significant factor in maintaining a vessel’s efficiency. By reducing the hull resistance, “XGIT Fuel” aims to enhance vessel performance. The expected outcome is a reduction in fuel consumption, which in turn contributes to lowering greenhouse gas (GHG) emissions. This is the second of the five vessels to undergo this hull coating application.

ALTERNATIVES

Halifax Regional Council could choose not to approve the recommendations and decide not to proceed with the project.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S. 2008, c. 39

79A (1) Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if
(a) the expenditure is included in the Municipality’s operating budget or capital budget or is otherwise authorized by the Municipality;

(b) the expenditure is in respect of an emergency under the Emergency Management Act; or

(c) the expenditure is legally required to be paid.

(3) The Municipality may authorize expenditures from its operating budget or transfer money from the operating budget to its capital budget if the total amount of such expenditures and transfers for the fiscal year does not exceed the total amount of estimated revenue from all sources in excess of the amount estimated for those sources in the operating budget for that fiscal year.

Administrative Order Number One, the Procedures of the Council Administrative Order

4(2) Notwithstanding subsection (1), any one or more of the rules of procedures contained herein except for sections 5 and 41 and subsections 12(5) and 59(3) may be suspended by Council, Committee of the Whole, Community Council or a Standing Committee by the affirmative vote of two-thirds (2/3rds) of the Members present and voting.

ATTACHMENTS

No attachments.

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